

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF REED AND CAROL)	APPEAL NO. 06-A-2560
SIMPSON from the decision of the Board of Equalization of)	FINAL DECISION
Kootenai County for tax year 2006.)	AND ORDER

CATEGORY 10 HOMESITE PROPERTY APPEAL

THIS MATTER came on for hearing January 18, 2007, in Coeur d'Alene, Idaho, before Hearing Officer Steven Wallace. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. Appellant Reed Simpson appeared for himself. Assessor Mike McDowell, Residential Appraisal Manager Darin Krier, Attorney Pat Braden and Appraiser Steve Hagler appeared for Respondent Kootenai County. This appeal is taken from a decision of the Kootenai County Board of Equalization (BOE) denying the protest of the valuation for taxing purposes of property described as Parcel No. 082740010030.

The issue on appeal is the market value of a Category 10 homesite property.

The decision of the Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed value of subject is \$877,454. The assessed value of the homesite acre is \$283,500. Appellants originally requested the homesite value be reduced to \$50,000. At hearing, Appellants amended the claim to \$76,651.

The subject property is 10.556 acres with a single family residence. Subject is located in Toyama Subdivision, approximately four miles west of Coeur d'Alene Idaho.

The issue in this appeal is the assessment of the Category 10, one acre homesite.

Subject land was purchased in 2001 for \$144,000. The well, road, septic and utilities were on site at the time of purchase. A building permit had also been issued prior to purchase. The subject property was on the open market when purchased by Appellants.

Appellants estimated a value for the site improvements of \$37,500. After deduction of

these improvements from the sale price, Appellants estimated a vacant land cost of \$106,500, or \$10,095 per acre. From this analysis, Appellants claim the value of one acre (\$10,095) plus the site improvements, establish the value of the homesite acre to be \$47,595. An estimated time adjustment factor of 10% per year was added in accordance with Idaho Code § 63-314.

The Assessor questioned how the 10% escalation factor was derived. Appellant stated it was an estimate, not based on any market information. Appellant is not a licensed or certified appraiser.

Appellants charged the sales the County utilized in the matched-pair analysis were from a different Geo Economic Zone than subject. Respondent agreed. Appellants questioned whether all three approaches to value were considered in the homesite assessment. Respondent noted the primary approach to value for the homesite was the sales comparison approach.

Respondent reported 75 sales were related to the analysis of subject land value. Respondent noted both vacant land and improved sales were analyzed to arrive at the value of Category 10 property.

The Assessor described the subject property. The last full revaluation of the subject area was for the 2004 assessment roll. During the revaluation, on-site inspections were conducted to note any changes to the property and to update information contained in the property records. Characteristics of both the improvements and land were noted, including access and topography. In 2006 the one acre homesite was assessed for \$283,500 and the remaining 8.773 acres were categorized as forest land with a taxable value of \$4,911. It was explained the improvements value was based on replacement cost minus depreciation.

The Assessor explained homesite values were derived from an analysis of sales which occurred between January 2000 and December 2003. A remaining acre value of \$3,500 was

derived using a matched-pair sales analysis from the neighboring Cougar Gulch area, because vacant sales in subject's area were not sufficient to provide good data. Seventeen improved sales were analyzed yielding an improved base site value of \$90,000, for properties with excellent views. Two vacant land sales, similar to subject indicated a residual one-acre rate of \$112,000. The applied 2004 rate was \$126,000, ($\$90,000 \times 1.40$) which included an influence factor for river view and estate setting. Market trends were applied in 2005 and 2006 to the previous year assessed values to arrive at the 2006 assessed value.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

The issue in this case is the market value of the one acre homesite situated on subject

Appellants maintain the correct homesite value was based on the actual average purchase price per acre of subject in 2001 together with the cost of site amenities, adjusted by a 10% per year appreciation factor.

The County explained the base homesite value was determined for the 2003 assessment roll from a few vacant land sales, but was primarily from the extraction of land values from improved property sales. Trends or factors were then applied to the previous year values to maintain current market value.

Idaho is a market value state for property tax purposes.

Idaho Code § 63-201(10)

"Market value" means the amount of United States dollars or equivalent for which,

in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Appellants added the cost of site improvements to the actual sale price per acre of subject, to arrive at a homesite value. A 10% per year appreciation factor was included. No support was offered for this factor. The subject sale occurred in 2001. According to the record, a comparison of assessed values to sale prices indicated trend factors for land in 2005 of 150% and an additional 150% trend in 2006. Under these circumstances, we find Appellant's appreciation factor is unreasonable.

Idaho Code requires the assessor maintain market value and prescribes the revaluation cycle.

Idaho Code § 63-314

County valuation program to be carried on by assessor.

(1) It shall be the duty of the county assessor of each county in the state to conduct and carry out a continuing program of valuation of all taxable properties under his jurisdiction pursuant to such rules as the state tax commission may prescribe, to the end that all parcels of property under the assessor's jurisdiction are assessed at current market value. In order to promote uniform assessment of property in the state of Idaho, taxable property shall be appraised or indexed annually to reflect current market value. In order to achieve this goal, at least twenty percent (20%) of the taxable properties in the county shall be included in each year's appraisal, resulting in a complete appraisal of all taxable property every five (5) years, except as provided in subsection (6) of this section. Annually, all taxable property, not actually appraised each year, shall be indexed to reflect current market value for assessment purposes using market value property transactions and results of the annual appraisal of twenty percent (20%) of the taxable property. The county assessor shall maintain in the respective offices sufficient records to show when each parcel or item of property was last appraised. The appraisal required by this section shall include a plan outlining the continuing valuation program. Said plan shall be submitted to the state tax commission for approval on or before the first Monday in February, 1997, and no less frequently than every fifth year thereafter. The state tax commission shall not approve any plan that fails to provide for adequate appraisal and valuation of all taxable properties in any county.

(2) The state tax commission is hereby authorized, empowered and directed to promulgate rules for the implementation of this program, and to provide any such

county assessor with such supervision and technical assistance as may be necessary.

(3) The county commissioners of each county shall furnish the assessor with such additional funds and personnel as may be required to carry out the program hereby provided, and for this purpose may levy annually a property tax of not to exceed four-hundredths percent (.04%) of the market value for assessment purposes on all taxable property in the county to be collected and paid into the county treasury and appropriated to the property valuation fund which is hereby created.

(4) If compliance with the requirements of subsection (1) of this section is not obtained, or if any county fails to meet the goals set in subsection (1) of this section, the state tax commission may proceed as required by section 63-316, Idaho Code.

(5) As used in this section the term "adequate appraisal and valuation of all taxable properties in any county" means a process which includes a field inspection of at least twenty percent (20%) of the taxable properties each year. Appraisal also includes collection, verification and analysis of market value sales, applicable income and expense data and building cost information, and application of this information to predict market value.

In *Merris v. Ada County*, 100 Idaho 59 at 63, 593 P.2d at 398 (1979), it was defined what is meant by an arbitrary appraisal. "An arbitrary valuation is one that does not reflect the fair market value or full cash value of the property."

Based on the record before this Board, we do not find the assessment of subject homesite arbitrary. It was based on analyses of sales. An analysis of sales and a comparison of like sales to subject property provide the best evidence of market value in this case.

The homesite acre is the appraisal unit. The more comparable property would be closer in size to one acre. As argued by the County, the first acre uniquely possesses the right to develop, build on and use as a residence. For assessment purposes, this premium should not be spread over the remaining agricultural acres.

Based on the record, the Board finds Appellants have not supported the claim for relief, and affirm the decision of the Kootenai County Board of Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, affirmed.

DATED this 27th day of April 2007.